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ABSTRACT

This paper discusses five issues in values and ethics relating to educational fund raising: (1) how should fund raising relate to the overall priorities of the institution? (2) what is the proper relationship between the institution and the donor? (3) what information is the institution obligated to present or make available with respect to its fund raising? (4) when should a gift be refused? and (5) what are the professional obligations of fund raisers to their institutions and to their larger communities? Six case study examples are appended for discussion. (27 references) (JDD)

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FUND RAISING IN HIGHER EDUCATION: ETHICAL QUESTIONS*

Thomas R. Pezzullo/Barbara E. Brittingham/Judy Diane Grace

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Fund Raising in Higher Education: Ethical Questions*

Thomas R. Pezzullo/Barbara E. Brittingham/Judy Diane Grace

> *Hark! Hark! The dogs do bark,*
> *The beggars are coming to town;*
> *Some in rags, some in tags,*
> *And some in velvet gowns.*
>
> – Mother Goose Rhyme (Owen, 1982, p. 35)

How should an institution's values be reflected in its fund-raising program? What ethical considerations do institutions and their chief officers face in raising private support? How do fund raisers balance bottom-line considerations with personal and institutional values such as honesty, trust, openness, and equity in seeking private support? The pressures for institutions to divest themselves of investment holdings with companies doing business in South Africa illustrate how heated the ethical issues related to private support can become on campus.

While some recent cases receiving widespread publicity have highlighted the more dramatic value and ethical considerations in fund raising, in most instances the issues are played out privately, often with little formal consideration within the institution. The publicized issues illustrate some of the fundamental questions:

•While Wheaton College raised money in a major capital campaign, its officers and board members were discussing whether to change the institution from a women's to a coeducational institution. Following the announced decision to become coeducational, the institution found itself in court, seeking a legal solution to a direct question: What obligation did the institution have to alumnae who believed that their donations were being made to support a women's college? Offering to return donations to disgruntled donors provided a practical solution (Wheaton College, 1988) and the fact that so few accepted the offer may provide some comfort; but the case illustrates difficult questions.

How can officers and trustees balance their need for reasonable confidentiality as they consider a fundamental change in the nature of the institution — for what they believe are reasons of long-term fiscal health — with the importance of maintaining relationships of trust with important friends and supporters of the institution? Using the case of Wheaton College as

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an illustration, when was the institution obliged to inform donors or potential donors of the consideration of coeducation? Was it obliged to inform some donors earlier than others? If so, which ones? Large donors? Frequent donors? Elected representatives?

•Villanova University accepted a gift of $50,000 in 1985 from a wealthy individual (who had given over $2 million in 20 years) to help retain a successful basketball coach. In 1986, the individual gave over $400,000; and the president did not refuse his offer of an unwanted gift: a Division I wrestling team, coached by the donor. Since the institution had no appropriate facilities, the team operated out of the donor's home; and the donor hired assistant coaches, paying them $1 per year, with supplements of $20,000 to $30,000 to their tax-free Olympic Trust Funds. The then-president eliminated the wrestling team in 1988, but only after several unsavory events: the local high school team was suspended for a year for practicing out-of-season with the college team; members of the coaching staff admitted they took student wrestlers out drinking; physical fights broke out between assistant coaches; and a $555,000 lawsuit was filed against the donor and the institution. (Providence Journal-Bulletin, 1988). This case presents an extreme example of issues that often present themselves with more subtlety: To what extent do large gifts, frequent gifts, or timely donations that accomplish a specific purpose create special obligations of an institution toward the donor? What is the nature and the degree of the obligation? When should a gift be refused?

While such highly publicized cases may generate discussion among fund raisers and others, there have been few avenues for organized exploration of fundamental questions. Noting that while there is an abundant literature on fund raising, Payton (1988b, p. 63) also remarks that "It is a practical literature, written largely by practitioners. It rarely asks questions that might stir doubts or second thoughts in the minds of those it is intended to persuade." And while presidents and seasoned fund-raising practitioners can easily identify fundamental and recurring values and ethical dilemmas in their work, professional education opportunities generally available to them have seldom provided substantial opportunities to explore these difficult issues (CASE, 1985).

These values and ethical issues of educational fund raising can be categorized into five areas, each phrased as a question:

1. How should fund raising relate to the overall priorities of the institution?
2. What is the proper relationship between the institution and the donor?
3. What information is the institution obligated to present or make available with respect to its fund raising?
4. When should a gift be refused?
5. What are the professional obligations of fund raisers to their institutions and to their larger communities?

1. Fund Raising and Institutional Priorities

> *The affectation of universities is the pretense that everyone is ethically sophisticated to start with — a striking example of self-deception. Some companies and agencies offer formal codes of ethics, but reading a code is like reading a regulation: unless the ideas and values are internalized, their written form is itself a form of deception.*
>
> – Robert Payton (1988b, p. 211).

The literature on fund raising makes much of the point that fund raisers should not set their institution's fund-raising priorities; they should raise money for institutional priorities. In institutions where faculty members and administrators are at times all too willing to articulate institutional priorities — fund raising and otherwise — the underlying reason for such seeming deference by the fund raiser is this: each request for support for a particular purpose is a statement about what the institution would like to become (or remain); each request is a statement about how the institution would see itself and the world. And each accepted gift, with all of its stipulations and restrictions, is a statement about what the institution is willing to become, how it is willing to see itself and the world. Fund raisers realize, consciously or subconsciously, that these decisions are so fundamental to the character of the institution as to require the participation of presidents, provosts, faculty, alumni, and governing boards.

Collectively, gifts for specific purposes can have a major influence on the shape and direction of an institution. And the influence can easily become misaligned with the shape and direction the institution would have taken had it received only unrestricted gifts. This influence can perhaps be seen most dramatically in the area of athletics; many universities have athletics programs disproportionately grander than would otherwise be the case if they were unable or unwilling to receive private support.

The influence of private support on the shape of an institution can also be seen in other areas. Individual gift support is typically easier to raise for programs in engineering than for programs in the humanities. Similarly, in raising money for scholarships, an institution may find many donors willing to support business students, but few who are willing to support social work students. Should the former (who are more likely to earn large incomes after

graduation) be better supported by the institution while they are students? Or, as is typically the case at least for undergraduate students, when unrestricted institutional aid is re-aligned so that art students have the same level of support as do business students, have the intentions of the donor effectively been cancelled?

In a more general sense, Useem (1987) notes that donors influence the values to which an institution adheres. Institutions seeking the support of corporations are more likely to value their business and engineering programs (to the possible detriment of their arts and humanities programs) and to experience "organizational isomorphism" with the corporations, paying increased attention to such business functions as accounting, marketing, and public relations. Emphasizing such values convinces businesses that these colleges and universities are "good investments," but may come at the unrecognized cost of less attention to other institutional offices, such as the library and learning resources.

Beyond balancing support for the disciplines, institutions may find that targeted gifts raise issues that blend considerations of campus concern for social justice with those of donor intention. Most institutions will find that it is easier to raise funds to support men's athletics than women's athletics; yet many institutions are still struggling to fund an evolving concept of equity in athletics. If the football program receives $100,000 in private donations, what is the ethical obligation of the institution to make a comparable commitment to women's athletics, and from where should the money come? As institutions develop women's athletics programs, what are their obligations to develop mechanisms for private support for the programs? Should the investment be made on the basis of current donor interest; on the basis of equal participation of women in athletics; or on a compensatory basis, recognizing that fund raising for women's athletics has "farther to go"?

Similarly, although institutions may espouse affirmative action goals for increasing the numbers of minority students, they may find it very difficult to raise the funds to provide scholarships and other forms of support to diversify the student body; they may find it more difficult to raise these funds than to raise additional funds to support areas of lower institutional priority. Put another way, increasing support for minority students may *de facto* not become a high institutional priority, because funds are not available to support the goal.

Since the total funds available are never sufficient to support institutional priorities at an appropriate level, part of relating fund raising to the overall priorities of the institution is agreeing upon an assignment of the available fund-raising time and effort that balances work for high priorities where fund raising is difficult with work for less important areas where support is easier to raise. This dilemma is illustrated in Figure 1, below, with the institutional

priority of the fund-raising objective on one axis and the effort needed to raise a dollar on the other axis.

Figure 1. ***Institutional Priority versus Effort Needed to Raise $1***

Ideally, of course, fund raisers hope to spend their efforts in the second quadrant, working on high institutional priorities, where money is easy to raise. The worst-case is represented by the third quadrant, fund-raising effort directed to areas of low institutional priority but where funds are relatively difficult to raise. From an efficiency standpoint, it is difficult to rationalize devoting fund-raising time and effort to items represented by this quadrant. One can, however, rather easily imagine cases that justify spending the time and effort of fund raisers in quadrant 1 (high institutional priority, but difficult funds to raise) and quadrant 4 (low institutional priority, but easy support to raise).

The extent to which institutions systematically consider their deployment of fund-raising time and effort along these dimensions has not been documented. Too much concern for the "bottom line" in fund raising discourages both fund raisers and other institutional officers from discussing the relationship between raising funds for institutional priorities versus increasing the overall amount of support raised.

2. Relationship between Donor and the Institution

> *Stanford's fundraisers likened their work to that of marketers and salespeople, matchmakers, missionaries, used car salesmen, institutional architects, and ambassadors. In all of these roles elements of both business and drama were at play.*
>
> – Katherine Tobin (1984, p. 26).

Much of the language and behavior used in development suggests that the relationship between the individual donor and institution is a "gift relationship." The exchanges between donors and the institution parallel many socially accepted customs between adults in personal relationships where gifts are exchanged, as among family and close friends (Tobin, 1984). The language and customs of exchanges parallels personal experience with gifts:

- the money (or property) exchanged is referred to as a *gift*;
- the sender is referred to as a *donor*;
- gratitude is expressed by the recipient (promptly, and as personally as possible);
- the size and frequency of the gifts are at the discretion of the donor;
- return tokens are exchanged to acknowledge the reciprocal nature of the relationship and restore balance between the two parties;
- donors are valued for what they can give (smaller or larger amounts of money, and in the case of volunteers, time);
- in higher education the motivation for the gift is often talked about as an expression of gratitude for what the institution, as the alma mater, has already given the donor;
- regular donors are referred to as "friends" of the institution or members of the institution's "family"; and

- institutions and donors seek to regularize and intensify satisfying giving relationships: donors may give more or more frequently or give time as well as money when they feel satisfaction from the relationship; institutions give tokens, privileges of seating or presidential attention, or briefings about institutional planning or scientific progress to donors, out of gratitude and to court a deeper relationship.

And yet, in many ways, institutions behave toward donors in ways that would be considered inappropriate or unacceptable in personal relationships involving gift-giving:

- institutions have developed paid staff positions in prospect research to estimate the magnitude of the gift they might reasonably expect to receive from current or potential donors;

- "giving clubs" are established with announced reciprocal tokens or privileges at each level of giving;

- donors and prospective donors are asked for specific amounts of money, often for a specific purpose;

- donors and prospective donors are "cultivated" through a series of carefully planned contacts;

- donors are asked to give more than they have given in the past;

- institutions regularly publish lists of donors, often organized by level of giving;

- institutions may announce "naming opportunities" and associated costs or the size of a donation required for naming a building or a room or establishing a named professorship or fellowship; and

- the tax benefits of giving are openly discussed with potential donors.

The Character of the Gift Relationship: contract, purchase, investment, or agent. In some cases, the private funds do represent a gift, and the institution is the recipient. In other cases, because of the motivations of the donor or the complexity of the situation, the institution acts less as the recipient of a gift and more as

a partner in a *contract*,

a seller in a *purchase*,

a broker in an *investment*, or

an *agent* that allows individuals to come to terms with life circumstances.

While support from foundations and corporations often overtly acknowledges the contractual or purchase aspects of the funds, support from individuals may also take on overtones of contracts and purchases.

•**Contract**. Negotiations over the size and conditions of large gifts from individual donors are often so detailed that the conversation and correspondence would be unseemly as part of a personal gift-giving exchange and come to resemble more closely a contract negotiation. Indeed, restricted gifts at least have direct elements of a contract not normally present in gifts: individuals donate money with the understanding that it will be used in specified ways. Thus, the relationship between donor and institution may be seen as a gift relationship for public and ceremonial purposes, but also has elements of a contractual or business-type relationship, particularly in private negotiations prior to the actual donation.

From the point of view of the institution, the degree of implied contract between the donor and the institution may vary, depending on the circumstances of the gift or its solicitation. In a general sense, appeals may imply that gifts will be used for announced purposes, as when donors are asked to give to their alma mater. Appeals that seek donations "because your support can make an important difference in so many areas, such as the library, faculty development, and scholarships for students" may imply a contract with the donor: Donate your gift, and we will use it for these purposes. Somewhat more specifically, capital campaigns often seek to raise large sums of money, with targeted amounts for designated purposes (e.g., scholarships, the library, endowed chairs). Gifts that are specifically designated or restricted by the donor are made with explicit understandings that the money will be used for the intended purpose.

•**Purchase**. In some cases, the "gift" takes on more of the tones of a purchase, as when a donor makes a gift with specific returns expected — and sometimes acknowledged by the institution. "Naming opportunities" may suggest that the institution is selling something of value, for a price, like items that might be published in a catalog.

Are the names that appear on rooms, laboratories, and buildings simply a visible record of the donor as Bok (1982) suggests; or do they somehow record purchases of personal prominence and institutional affiliation by the donor? To what extent does the consideration of who shall receive an honorary degree take on the flavor of recognizing a "purchase" made — or seeking to "purchase" a large donation? Other temptations toward "purchase" include consideration for admission to the institution, proximity to athletics, and selection of board members whose potential for financial support clearly

outstrips their potential for providing thoughtful leadership to the institution. [One is reminded that seasoned trustees often tell new ones that they must bring one or more of the "three W's" to the board: *Work, Wisdom,* or *Wealth*; or the old trustee adage as regards the fund-raising expectations of trustees "*give – get* – or *get offl*"]

Robert Payton describes how the gift-giving relationship may change, and warns presidents of the consequences to them personally:

> Many people see these [gift] relationships as mutually manipulative. It is better to be cynical about them, they say. Play to the pride of the donors, massage their egos, flatter and pamper them. Alas, all too often this works! In some cases, *nothing else* will work. Indeed, in some cases, only the award of an honorary degree or some other important institutional praise yields a gift. In other cases, gifts become bribes: Off the record, under cover, a donor will propose a gift in exchange, say for admitting someone to the school. (Payton, 1989, pp. 37-38.)

Payton goes on to warn presidents, that once an ethical compromise is made a precedent has most likely been set, and such compromises harm the integrity of the institution as well as that of the president.

Some public institutions that have traditionally named buildings after devoted officers of the institution are beginning to follow the model of private institutions — naming buildings after major donors. This change in practice comes with an opportunity cost: The campus no longer records its institutional history in the names of its lecture and residence halls. By naming buildings after people who have given their money but not their professional lives to the school, public institutions may find that they have diluted the sense of campus community, often weaker to begin with at a public colleges and universities.

Athletic "gifts" may come close to purchases when the perquisites of giving are status items for which the donor would pay: privileged parking spots, desirable seating at games, or access to coaches or players. As some institutions have learned, donors may also act as though they have "purchased" influence over the direction or intensity that the athletic program will take: which coach to hire, retain, or release; which players to promote; which investments to make in the improvement of the athletic program; how prominent a place athletics shall have in the institutional priorities.

•**Investment**. In other cases, the language of fund raising emphasizes a long-term outcome of personal gain to the donor's well-being. The shift has been described as a major shift in private giving from charity to philanthropy to investment. As a recent ad for a fund-raising consultant proclaimed: "Donors want to see their money. They want to gain tax advantage from giving, and they

want to be able to justify their contributions." (Philanthropy in Flux, 1984). Philanthropists and those concerned with the well-being of the voluntary sector have expressed concern over the decrease in the individual level of voluntary giving but have been less likely overall to comment on the rise of the pragmatic justification for giving.

Gift relationships are polite and discrete. It is not polite for the giver to ask how the gift was used; it is not necessary, nor perhaps seemly, for the recipient to be very specific about just what the gift is needed for. With investment relationships, however, the expectations change. Investors want to know — or designate — how the gift will be used. Institutions may feel freer to hunt systematically and even aggressively for likely prospective "investors" than they would to look for gift-givers.

This change in ascribed motivations in fund raising from those with religious or spiritual overtones to motives with pragmatic or economic overtones parallels changes noted in affirmative action. The language of justification is changing from that of social responsibility toward language of pragmatic self-interest. In affirmative action, the argument for minority recruitment and participation has been rephrased with the principal motive as the country's self-interest in a competitive world economy. In higher education fund raising, the argument presented to alumni donors becomes: The value of our college degree is only as good as the reputation of our alma mater; we should donate money to invest in the good name of our college.

•**Agent.** Finally, in receiving private funds, institutions can become the vehicle through which individuals and communities attempt to deal with life circumstances, a means through which individuals can try to make sense of life's tragedy or good fortune. Scholarships established by donations from family and friends following a death of tragic circumstances are often explained as "trying to make some good come out of something so terrible." Donations from the very wealthy have been explained as motivated by the prestige associated with giving; guilt from having accumulated large amounts of wealth; the desire to immortalize one's name; or, perhaps more charitably, a good feeling from strengthening an institution or providing an opportunity to deserving students or faculty. In some cases, these donations may be thought of as gifts; in others, they may more appropriately be considered windfalls for the institution that happens to be available to serve as the agent for the donor's motivations.

Similarly, in receiving support from foundations, colleges and universities are serving as agents for the fulfillment of the foundations' agendae. Foundation wealth is accumulated from individuals, communities, and corporations, with more or less specific aims for its use. Receiving colleges and universities serve as partners in supporting the arts, increasing minority access, studying health care delivery, and a host of other eleemosynary aims.

Prospect Research. A second issue about the relationship between the donor and the institution concerns the limits of acceptable prospect research methods. In conducting research to determine an individual's capacity to make a large gift, institutions act as investors searching for potential donors in whom it is worth the institution's effort to invest time, privilege, and attention. When fund-raising goals are high and prospect research vigorous, a prospect researcher may spend up to two weeks developing a profile of a prospective donor (Bailey, 1988) from sources including information on land holdings, estate and divorce proceedings, stock proxies, memberships in clubs and corporate boards, newspaper clippings, and information from friends, business associates, and acquaintances. Prospects may also be identified or "rated" through sessions at which key members of the college community are asked to discuss the giving capacity of a pool of potential donors.

While vigorous prospect research can be efficient and effective as a means leading to large gifts, it can lead to pragmatic difficulties of donors becoming angered when they learn how much the institution knows about their financial situation and to ethical difficulties from invading the privacy of individuals. And while the American Prospect Research Association stresses the importance of protecting the confidentiality of information, there have been reported instances of fund raisers leaving an institution with information on prospective donors and of offers from a fund raiser to sell information about the institution's donors (Bailey, 1988).

Blatant difficulties aside, most institutions face a series of more frequent, routine questions about prospect research. How vigorously can an institution investigate an individual's capacity to give without violating a relationship of trust? Is it legitimate to pursue all public sources of information? What are the limits of inquiry to friends, associates, and acquaintances? What should be done when the institution learns information that could be damaging to the individual? Is a prospect file analogous to a personnel file or transcript? That is, does the donor or the prospective donor have an ethical if not a legal right to see anything in his or her prospect file? If so, is the institution obliged ethically, if not legally, to inform the individual of this right? Despite some general injunctions not to record damaging or hearsay information in a prospect file, there is little in the recorded literature to suggest that fund raisers have given careful consideration to these questions.

3. Sharing Information with Donors

What types of information should an institution provide or make available to donors or prospective donors? How detailed should the information be? How candid should an institution be about how its donations are used? Institutions face these issues when there is reason to believe that the donor might not have full understanding of the purposes for which the solicited gift is

used. Colleges in financial difficulty, for example, may use current gifts to pay past debts rather than to make new commitments, as suggested by the appeal. Similarly, institutions may solicit donations to the annual fund with suggestions that the money will help support purposes such as the library, scholarships, and research equipment; in fact, a large proportion of the money raised may be used to support the development or alumni office and to off-set the direct and indirect costs of fund raising.

Unlike separately incorporated charities which raise funds, colleges and universities are not legally obligated to report to the giving public the proportion of their unrestricted gifts that are used for the announced purposes or the proportion which may be considered overhead. While institutions, particularly public institutions, may make information available from which these proportions may be inferred, there has been little systematic consideration of the institutions' ethical obligations in this area. At least one public institution found that in order to support the additional fund-raising costs of a capital campaign, it must tax the donations made to the campaign, since no additional support was available from general revenue or tuition sources (Ling et al, 1988). The realization came late enough in the campaign that the institution faced questions about its obligation to tell donors whose gifts had already been accepted by the institution.

Similarly, as indicated above, the effect of some restricted gifts may be more diluted than donors understand. A modest gift to support scholarships for art students will typically raise the total support for scholarships by the amount of the gift, while guaranteeing additional support for art students very little. Is the institution obligated to explain this relationship to the donor? Do donors, as Bok (1982) asserts, want only to know that *their* money is supporting scholarships for art students? Or do some donors, at least, believe that they increased the the total level of support for art students by the direct amount of their gift? Are institutions obliged to tell donors that while their money will support art students, their gift raised the total support available to art students by an amount far smaller than the size of the gift might indicate?

Institutions may face issues of disclosure when they seek to spend money, even from unrestricted gifts, for purposes which might not be supported by typical donors or less sophisticated donors. Following the resignation of its president over disclosures of spending $1.7 million for home and office renovations, one large university suspended its appeals to new donors, fearing a backlash (McMillen, 1988). Implicitly, some institutions have decided that it is ethically (or at least pragmatically) prudent to support activities such as perquisites for presidents and athletic staff, lavish fund raisers, settlements in personnel cases, and other similar expenses only with money from donors who believe in the desirability as well as the propriety of such expenses.

Finally, institutions may feel subtle or overt pressure, in the name of donor relations, to mute their discussion of difficult issues. Issues of racial and ethnic

intolerance and sexual harassment face many campuses. Yet, fearing a withdrawal of alumni support (as well as decreased applications from prospective students) during periods of campus unrest, colleges and universities may be reluctant to address such problems openly, to confront instances of intolerance publicly, and to act creatively to help students live and work together peacefully.

4. When Should A Gift Be Refused?

Institutions may decide to refuse gifts for at least four reasons:

1) the source of funds may influence or appear to influence the institution's objectivity or freedom;
2) the source of money may be so "tainted" that the gift is unacceptable;
3) the restrictions on the gift (in direct or indirect costs) may be unacceptable to the institution; or
4) the institution may become unacceptably dependent on a single donor.

Related to the first reason, Bok (1982) concludes that the principal cases in which institutions should refuse gifts are those which donors "seek to attach conditions to their gifts that invade Justice Frankfurter's 'four essential freedoms of the university' — to determine for itself on academic grounds who may teach, what may be taught, how it shall be taught, and who may be admitted to study." (p. 266.) These freedoms speak to the academic offerings of the institution, yet they may rather easily be extrapolated to provide guidance in those cases more likely to be problematic to institutions where gifts are concerned: sponsorship of research and athletics. The display below, suggests how Frankfurter's four essential freedoms may be translated from academic to athletic and research considerations.

When are there problems with donations?:
An extension of Frankfurter's Four Essential Freedoms (Bok, 1982).

Academics	Athletics	Research
Who may teach	Who shall be the coach to conduct research	Who will be hired
What may be taught and at what level	What sports shall be offered	What research questions shall be addressed
How shall it be taught call the plays	How shall the coach to conduct the research	What methods shall be used

Who shall be admitted to study	Who may join the team to participate	How and where shall the results be reported

Considering most closely the case of funding for research where the donor may have a strong interest in the outcome of the study, Bok (1982) urges seeking alternate sources of funding or at least refusing a suspect gift; yet he notes that the ultimate decision should be left to the faculty member who has a far greater stake in upholding the reputation of his or her scholarly work than do campus administrators. Institutions would typically be less likely to extend formally such independent judgment to coaches and athletic staff about which gifts to accept. However, the lack of formal policies, the presence of enthusiastic boosters, and several related factors increase the likelihood that some inappropriate athletic gifts are accepted. And, although the NCAA has developed rules for acceptable types of booster support, the temptations appear largely out of sight of the development staff or the chief institutional officers.

Second, institutions may consider refusing a gift because it represents "tainted money": the donor has earned the money through immoral means or has known behavior otherwise unacceptable to the community. Bok is cautious about refusing gifts on such grounds, citing one university president who said he "never assumed accepting a gift was an affirmation of the donor's good character." (Bok, 1982, p. 270). A retired president of more colorful language and "eager to build a great university, used to say, 'The Devil has had that money long enough; I have a laundromat just outside my door'" (Bornstein, 1989a, p. 6). The dilemma here is as much a practical as a philosophical problem. If an institution is to refuse a gift based on the character of the donor, how extensive is the responsibility to investigate and judge good character? Who is to make the judgments and on what criteria? What is an institution to do if it discovers at a later date that a gift accepted in good faith was made by a donor whose character is later determined to be unacceptable? Paraphrasing George Bernard Shaw in *Major Barbara*, Bok (1982) notes that institutions must either share the world's guilt or go to another planet.

While the question of accepting gift money may appear more problematic when there are questions of naming, Bok (1982) notes that the Rhodes and Fulbright scholarships and fellowships are valued without the recipients (or others) feeling as though they are endorsing the views of the donors. Yet there are limits: "No university could accept a Hitler Collection of Judaica. . .or a Capone Institute of Criminology" (Bok, 1982, p. 274). How an institution is to know when this limit has been reached or who is to decide is left less clear. Nor is the question of evolving standards of acceptable social behavior given any direct attention: It is conceivable, for example, that an institution might have named a chair (or building or scholarship) several years ago from a donor

whose behavior, though acceptable at the time, is currently viewed as unacceptable toward women or minorities or along some other dimension.

Recently, some charitable institutions have refused planned gifts because the financial planners contacting them about the transaction have offered large gifts on the condition of large fees (Stehle, 1989). Fund raisers have reported discomfort with what they see as the financial planners selling contributions to the highest bidder and with receiving planned gifts that are motivated only by financial and not by philanthropic impulses.

Third, an institution may refuse a gift because the restrictions make the gift unacceptably expensive in direct or indirect costs. A donation of horses to start an otherwise unsupported program in equine studies is one example; a donation to fund an annual conference on art in the Middle Ages at a technical institute is another. Rising energy and maintenance costs have caused colleges to think carefully before accepting a gift for the direct but not indirect costs of a new building (Kemeny, 1978). A restricted gift is more difficult to refuse if there is the promise or hope that it may be followed by a substantial gift that is unrestricted or directed toward a high(er) institutional priority.

In general, restrictions are viewed as acceptable to the extent that they match the existing priorities and values of the institution or at least do not conflict with them. Scholarships that support students from Johnson County are acceptable; scholarships that support minority students are valued. But what of the scholarship restricted to white students? Since, in fact at most institutions such a gift would have the practical effect of raising the total amount of scholarship aid available to all students, the problem is not the outcome of accepting the gift: it is the perception and the institutional conscience that are problems. As Bok (1982, p. 278) notes, "by accepting such a gift, the university will associate itself in some fashion with a prejudice deeply contrary to its ideals. . . . the administration [must] decide if it can balance a distaste for linking itself with prejudice against the opportunity to offer greater support for its needy students."

Fourth, institutions would be well advised to refuse gifts when they risk becoming overly dependent on a single donor or type of donor. Useem (1987) notes that institutions risk high outside influence when: 1) they rely heavily on outside resources; 2) outside contributions are small in number and narrow in purpose; 3) one or a small number of contributors account for a disproportionate share of the gifts; and 4) there is a restricted supply of other, potential contributors. A vivid example of the effects of strong reliance on a single donor is the case of the University of Rochester. With substantial funding and reliance on Kodak for institutional gifts and students for its business programs, the institution withdrew the offer of acceptance of a student who was an employee of the rival Fuji film manufacturer, fearing breaches of corporate security. When the issues of academic freedom and institutional independence were determined to be of greater importance, the student was re-

admitted, though the decision was moot since the student had decided in the interim to attend MIT (U. of Rochester, 1987a, 1987b).

Gifts may also be refused when the institution does not want to rely inappropriately on donors to define its shape or priorities. When, in difficult financial times, Dartmouth cut a major sport, the president refused gifts that would restore it, claiming to do so would do "permanent damage" by allowing donors to determine the nature of the institution (Kemeny, 1978).

Questions of when to refuse a gift are difficult in part since there are likely to be faculty members, students, or programs that would benefit from an institutional decision to accept any particular gift. Refusing a gift may come with the associated costs of losing other gifts from the same donor (for more acceptable purposes), losing gifts from associates of the donor, or losing the general support and friendship of the disgruntled donor and his or her associates. Seldom are there compensating public benefits of institutional distinction for openly refusing an inappropriate gift.

5. Obligations of Fund Raisers to the Campus and to the Community

What are the obligations of fund raisers to follow their own values or work to influence those of the institution? How strong is the obligation to present the institution or program candidly to the potential donor? What is the responsibility of fund raisers with special skills to work toward the larger public good beyond the institution? Can fund raisers, in the words of Payton (1988b), live for philanthropy while living off it?

In seeking support for institutional programs or the overall welfare of the institution, fund raisers are often in positions of making strong statements about what is valuable, important, or legitimate, without having access to the professorial cloak of academic freedom under which to debate questions of approach or substance. Tobin (1984) describes a development office conflict over soliciting alumni couples who have multiple affiliations with the institution. The institution had evolved a preference system of solicitation that gives some schools preference over others and gives preference for the husband's affiliation over that of the wife. She notes:

> Some fund raisers find it bothersome, or at least awkward, to defend a system that favors male graduates. On the other hand, those who uphold the system argue that policy reflects the already existing affiliation preference of Stanford alumni. They say couples contribute more readily to the husband's alma mater than to the wife's. As fund raisers, they consider it their business to be *responsive* to the existing social system. They have neither the power nor the responsibility to change alumni's social preferences, I was told. (Tobin, 1984, p. 37)

This example highlights several of the questions before fund raisers: To what extent should fund raisers defend practices that they find "bothersome"? To what extent should the institution develop or continue a policy that may maximize total giving, while classifying their alumni preferences according to (possibly outdated) actuarial information rather than expressed personal preference? To what extent should fund raisers develop or continue a practice that will systematically generate less private support for programs that are predominantly women's areas?

Fund raisers face at least three types of situations that can bring their personal values into conflict with their perceived duties as fund raisers:

1) questions of equity with respect to donors (as the above example of husband and wife affiliation or with respect to the outcome of a campaign, as with men's and women's athletics);
2) balancing institutional pressures toward improving the "bottom line" in fund raising with issues of matching fund-raising efforts with institutional priorities or directing fund-raising efforts toward areas of greatest need; and
3) advising an institution (often in the person of the president) about when to refuse a large gift, or when it comes with expectations — perhaps not explicitly stated — that could well become troublesome in the future.

The questions that face fund raisers are more difficult since they typically face the questions alone, with little support from the institution or the profession. Institutional questions about fund raising are seldom discussed either within institutional policy-making groups or in professional development programs for fund-raising personnel. The dilemmas of fund raising are not the central dilemmas of colleges and universities, the dilemmas that revolve around teaching and research, around truth and the freedom to pursue it.

Nor are there strong external supports for confronting these issues. Professionals in fund raising are left to confront their ethical and values questions largely on their own without the supports available to members of the strong professions (e.g., specialized graduate training, strong professional associations that address issues beyond the pragmatic) and the tradition of institutional introspection (e.g., academic freedom). Although CASE, AAFRC, and NSFRE have developed formal codes of fair practice or ethics, the statements are so brief, each less than a page, and so general as to provide little guidance. As do many such statements, they "lack a means for the development of a definitive body of case interpretation to help specify the scope and limits of a given rule. ... [They are] guidelines without lines to guide [and] leave unilluminated many of the quandaries and temptations practitioners face." (May, 1980, p. 213)

Another dilemma faced by fund raisers concerns their opportunities and obligations to share their talent with the larger communities. Successful fund raisers have developed skills that can be of considerable use to other non-profit agencies in their communities, agencies that serve the arts, health, and welfare priorities of our society. When fund raisers do voluntary work for another non-profit, are they fulfilling a professional obligation to distribute their services justly and on the basis of need or are they setting up a potential conflict of interest situation with their employing institution? Is their volunteer work a *pro bono* obligation of their field or is it a problem of dividing their loyalty — and their effectiveness — between the institutions for which they work and the philanthropic needs of their communities? (This dilemma is similar to the one faced by many board members. Since approximately 20% of the members of governing boards serve on more than one board, these members are subject to potential conflicts as they may be expected or asked to help raise funds for more than one institution from the same source (Ingram & Associates, 1980).)

Fund raisers are confronted with opportunities (and temptations) to help raise funds for groups whose constituency of potential donors may compete with those of their college or whose eleemosynary goals compete or conflict with their college. And since fund raisers *ipso facto* endorse the general goals of philanthropy, they will presumably be generally more predisposed than the average person to support voluntary groups and causes.

Some development personnel work in institutions with "national" student and alumni bodies; virtually any non-profit group for which they might contribute time and specialized knowledge could compete with some sources from which their institution might hope to raise support. Other development personnel work in institutions that draw their student body principally from the state or the local community; analogously, these professionals are typically more likely to have the opportunity to help raise support for local charitable or non-profit groups. Arguably, at least, a fund raiser from a college with a very local student body (and alumni group) who works for a community cause is more likely to be in potential fund-raising competition with his or her institution than a fund raiser from a college with a national audience who works for national charities or causes.

The potential conflict faced by fund raisers is not often duplicated within the institution: while the consulting activities of faculty members may put them in a conflict-of-interest situation with the public service goals of their institution or might engage their scholarly skills on projects for which they do not have publication rights, fund raisers have the unusual potential situation of their outside work being in conflict with institutional work when the outside activity is *voluntary*. The institutional goals of community service or community relations suggest that fund raisers will find at least selective encouragement to share their skills beyond the campus. On the other hand, the

pragmatic goals of fund-raising may mitigate against the practice, at least in specific instances.

A final question of obligation to the community is phrased by Payton (1988b): Do fund raisers live *for* philanthropy or do they live *off* philanthropy? Are they "called" to their work, or are they simply employed to perform a specific task? The issue, to a large extent applies to all who work in higher education: Are non-profit organizations somehow different from other kinds of organizations because of the causes they serve? If different, are they better? If one feels "called" to work in a non-profit organization, does that mean one is somehow "chosen" (and therefore, somehow better than others who work at a more mundane level). Is one who lives for philanthropy expected to receive less in monetary rewards because although they somehow live *for* the cause, they also live *off* it?

This distinction between living *for* and *off* a philanthropic cause raises particular tensions between paid staff and volunteers (Payton, 1988b):

•Volunteers clearly live *for*, not *off*, a cause.
•Volunteers work directly, with their own resources (time, skill, and money), whereas professional staff work indirectly, with resources supplied by others.

In the extreme, fund raisers can be guilty of the 'the sin of pride' which Payton (1988b, p. 88) describes as "arrogance. . . the self-righteousness and sanctimoniousness that is common if not rampant throughout the [voluntary] sector, on both sides of the table. It tends to inflate the moral worth of those engaged in philanthropy and to deflate the moral worth of those engaged in other forms of work, especially if that work is explicitly self-interested."

Yet, for the professional, the work of raising support for institutional goals, of donor cultivation, of finding friends and funds for the college is full-time work, whereas for the volunteer it is typically a part-time endeavor. The professional may be better educated in the field, and have specialized knowledge and experience in fund raising and higher education. The professional may be guided by values not widely shared within the volunteer community and may be tempted to do what he or she "knows is right" even though volunteers don't (yet) agree (Payton, 1988b). Thus, the salaried professional must balance a greater knowledge of the institution's needs and full-time commitment to fund raising with the volunteer's primary interest in raising funds for a cause for which there is no substantial direct, personal gain.

The last few years, beginning with CASE's 1985 Greenbrier II conference, have marked the beginning of increased attention within the field to ethical issues. More recently, initiatives have begun in other associations as well, including the National Society for Fund Raising Executives, the National Committee on Planned Giving, and the American Prospect Research Association

(Bornstein, 1989b). At this stage, the work may be characterized by issue-identification and the production of general statements of expectations; the formal models are few, and the language is not completely developed.

Perhaps the broadest consideration of ethical issues to date came in a 1986 symposium organized by CASE. At those sessions James Donahue, an ethics professor from Georgetown University, provided general guidance, including the proposal of a matrix that fund raisers might use when considering ethical issues within their own institution. The matrix has risk/safety along one axis and harm/benefit along the other (CASE, 1986). Fund raisers should aim for decisions that are in the quadrant of safety+benefit and avoid decisions in the realm of risk+harm; the other two quadrants represent the grey areas. Donahue has also suggested that the implications of a potential decision be considered in terms of the institution's mission, the potential benefits, the precedent-setting aspects, considerations of legality and truthfulness, and implications for the decision-maker and others.

Beyond this session, there is little evidence that considerations of ethical questions in fund raising have drawn upon the general theoretical thinking in ethics; the issues have not been framed within the context of general or applied normative ethics (e.g., Beauchamp & Childress, 1984; Callahan & Bok, 1980). For example, fund raisers do not generally consider their issues in terms of teleological theories, such as utilitarianism, which stress consideration of the known or probable outcome of one's actions; or deontological theories, which stress moral rules which may be binding regardless of the outcome. Nor have fund raisers' issues been explored within the framework of more general issues of professional ethics, which considers matters such as deception, informed consent, privacy and confidentiality, individual and collective responsibility, social responsibility and professional dissent, and social responsibility and justice (Callahan & Bok, 1980). The types of dilemmas faced by fund raisers are within the same general categories as those faced by other professionals, and they may be discussed in terms of more general ethical theories. CASE has found it helpful to involve philosophers and other experts in professional ethics in their considerations of ethical issues; institutions may likewise find campus experts who can help direct locally useful discussions.

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Case Study One: The Biology Building

You are the president of a small, independent college about to launch a capital fund drive for a six million dollar biology building. Your plan is to use the person of Prof. Ferret as the figurehead and symbol of the campaign. He is an about-to-retire professor of biology having served 33 years at your college and probably responsible for the development of almost 100 eventual MD alumni of your college. You would like to recommend to the trustees that the building be named in his honor at an appropriate time in the campaign. Your choice of names is motivated partly by your wish to honor him for his long and dedicate service, but you also recognize that his association with the campaign and the suspicion that this honor will be accorded him may motivate many of his former students to give more and help assure the completion of the campaign. You haven't mentioned the naming opportunity to anyone; you want the uncertainty about the building's name to use for leverage.

The campaign begins and lo and behold one of Prof. Ferret's former students approaches you privately to discuss a gift of $3,300,000, just a bit more than half of the campaign goal, but with one condition: the alum gets to choose the name. You assume that he will wish to honor his former professor and mentor – no, he wants the building named in his own honor.

A. What do you do?

B. He tells you that he is also in negotiation with his medical school to make the same gift and receive a similar honor.

C. The donor rejects your suggestion that his money should be used to honor Prof. Ferret despite the enormous respect and admiration he has for him. "Why doesn't the college name another building for Prof. Ferret – without regard to any fund raising project?" he asks. He goes on to suggest that your only interest in honoring Ferret may be a cloaked exploitation of his popularity to advance your goals?"

Case Study Two: The Fund Raiser and the Homeless Shelter

You work for a college that is entering its second capital campaign with every promise of success. You have identified a wealthy prospect – with no discernable ties to the college – who is eager to establish an endowment for scholarships in social work at your institution.

As a professional fund raiser you also recognize a responsibility to your community and you volunteer at a local shelter for the homeless giving them your time and advice both about operations and fund raising.

During a luncheon at your faculty club on campus you overhear the Provost talk about a confidential five-year plan to phase out all social work education. Your dilemma: you can work with the donor to develop mutually acceptable gift language for the endowment to prepare for what the donor might think is an unlikely future contingency [but what you know know is a very likely one] or you can tell the donor that you have privileged information about the future of the program and offer her alternative gift objectives that are real college priorities [of course that might inspire the donor to use her funds elsewhere.]

You know the donor well by now. You know that she is interested not so much in helping the college, but rather in the greater social good that derives from social workers produced from this and other programs. You can think of no other program of the college that will serve that social good in ways that will appeal to the donor.

A. What do you do? What do you tell the donor what you know? Or do you continue with the planning of the gift and contingency language to cover the possibility of some far-off, future termination of the program? ... Who is the client in this case, and whose interests must you serve?

B. Suddenly, during lunch with the donor, you bring up the homeless shelter and begin to describe its good work. Wouldn't the donor's wishes be well served by supporting the shelter? ... But who is your employer?

Case Study Three: Equine Studies

You are approached by an elderly and wealthy couple who wish to give a large gift to reestablish the program in equine studies. The gift would be restricted to this purpose alone. The couple both majored in equine studies back in the days when your eastern, rural [but now urban] institution had several programs that were agricultural in origin. Equine studies was eliminated, with enormous opposition from alumni and older faculty, along with several other vestigial programs about ten years ago.

A. There is some support for restoring some of the traditional programs of the past. There is some regional need for knowledge and trained professionals in equine studies, and large animal veterinarians often do undergraduate and beginning graduate work in this area. Restoring the program would not be wasteful, academically unsound, or without support. A good case could be made. The income from their endowment gift would pay the full freight. What do you do?

B. There is equal and not unrelated support for restoration of the poultry program. There is, however, no comparable donor with comparable gift support. Restoring the equine program will give impetus to those, now quieted supporters of poultry science.

C. The cost of the program will be $200,000 annually; the income from endowment will be at least $300,000. Does this change your thinking or strategy at all?

D. Substitute a hockey rink for the above exercise. Does anything change?

Case Study Four: St. Swithins College

You are a trustee at a church-affiliated college that is currently in the middle of a five-year capital campaign. The church affiliation has grown weaker over the years with the admission of non-church members as students fifteen years ago, the first appointment of a non-clergyman as president ten years ago, and the relaxation of the restriction of trusteeship to church members five years ago. Enrollment has fallen steadily for a decade and so has private voluntary support both from church members and the church central office, while alumni donations have grown though not significantly enough to replace the other declines in support. You and most trustees are certain that if no changes are made to attract new students and new dollars, the college will have to close within five years. A consultant hired by the board does an analysis of the institution's market position and convinces the board that the image and market position of the college are bordering on anachronistic. She points out that the loosening grip on the college by the church, as well as its diminishing support, argue for disaffiliation of the college from the church, changing the college's name, restructuring its board and mission, and becoming a secular institution.

You have the consultant's confidential report and the board, which meets twice annually, can act at its next meeting, or postpone consideration. So far the report has not leaked out, but it's only a matter of time. The board wants to get some reaction in order to better inform its decision, so it would like the students, faculty, church leadership, and alumni to know that the question is "under active consideration."

A. What do you tell the current student body? What do you tell the alumni? What do you tell the church leadership and officers?

B. Have you forgotten that the capital campaign is in full swing? What do you think the participation will be by alumni, trustees, and church leadership who oppose the disaffiliation? We know that at least one 80-year old alumnus plans a bequest of 2 or more million dollars, and he was openly critical of the changes in the college admitting non-church members to study, teach, or administer.

C. If you wait until the campaign is wrapped up what will you do with the gifts solicited under the old model of the college? Didn't your case statement to support the campaign mention the "traditions of St. Swithins?" Don't the case statement and informal correspondence with donors constitute a contract with the donors?

Case Study to accompany: *Fund Raising in Higher Education: Ethical Questions*
Thomas R. Pezzullo/Barbara E. Brittingham/Judy Diane Grace

Case Study Five: The Prospect Research File

You are the Director of Development for a college that is preparing to start a capital campaign. Your chief volunteer, has worked closely with you in setting campaign goals, writing the case statement, prospecting potential donors, and getting you and the president in touch with key prospects and volunteers. One day in your office he asks a progressive set of questions about the research files on key prospects. You answer with complete candor. He then asks if he can see his own file. You give the standard answer of confidentiality and protection of the privacy of individuals. He asks how looking at his own file can be a violation of anyone's privacy. Your mind races through its recollection of the file's content. Of course there's nothing there that he doesn't know about himself, but he may be surprised, perhaps offended to see that you have estimates of his net worth, the assessed valuation of his real estate holdings, his large stock holdings, and some musings on how much you think that he can give to the campaign if properly cultivated. The file has some personal information he may think irrelevant to prospect research. You try several strategies to hold him at bay from "it's not the information that you shouldn't see – you know all that there is to know – it's the cavalier style hastily written call reports that might offend you," to "I know what's in your file, I just reviewed it yesterday; why don't I give you a quick oral summary of it," but he doesn't budge. "If I am part of your team I certainly should be able to see what's in my file, shouldn't I?" He is key to the campaign's success and you must keep his confidence. What do you do?

A. You remember that the file contains information about his divorce five years ago [detailing how much of the estate is subject to litigation with his ex-wife, when alimony payments are scheduled to cease, and the amount, and how much is committed to trust funds for each dependent child. Does this change things?

B. You recall that there are personal notes from you and the planned giving officer that mention his tendency to have three drinks before dinner and to stray far from business after doing so. Consequently the notes authors recommend morning or luncheon meetings with Mr. Does this change things?

Case Study to accompany: *Fund Raising in Higher Education: Ethical Questions*
Thomas R. Pezzullo/Barbara E. Brittingham/Judy Diane Grace

Case Study Six: The Sailing Pavilion

Your capital program for the sailing pavilion at your college is half way completed. Your college prides itself on its historical tradition and success in recreational and competitive sailing, as a club sport and as a hobby, viewed by regional residents and alumni as a necessary life skill and mark of a civilized and educated person.

You prepare matching gift forms for a gift and mail them to the donors' employers. Shortly you receive thousands of dollars in matching gifts and credit these to the donor's individual records, but as a courtesy to the employer, acknowledge the gift in writing. Your new Athletic Fund Raiser – who has no role in the Sailing Pavilion Campaign, prepares and dispatches computer-generated acknowledgement letters to the companies – on athletic booster stationery.

Several days later you begin to receive request for the return of funds: many companies do not match gifts to athletics, they remind you.

A. What do you do?

B. You discuss this with the Director of Athletics. He thinks that the sailing pavilion is not "athletics" but recreational, educational, "character-building, " ... and thinks that you should write a clarifying letter [on Development Office stationery] to each company ... and not return the matching funds. What do you do?

C. Alternate consideration: Do you know that some corporations will not match gifts that involve honoring individuals? Such as named endowed scholarships, buildings, prizes, ... ? What if your are secretly planning to honor someone but only after the funds have been raised?